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DE RUEHPU #0700/01 1341833

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FM AMEMBASSY PORT AU PRINCE

TO RUEHC/SECSTATE WASHDC PRIORITY 8200

INFO RUEHZH/HAITI COLLECTIVE PRIORITY

RUEHBR/AMEMBASSY BRASILIA PRIORITY 1910

RUEHSA/AMEMBASSY PRETORIA PRIORITY 1702

RUEHQU/AMCONSUL QUEBEC PRIORITY 1130

RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

UNCLAS SECTION 01 OF 03 PORT AU PRINCE 000700

SENSITIVE

SIPDIS

STATE FOR WHA/CAR

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [ECON](#) [HA](#) [EAGR](#)

SUBJECT: HAITI: PRIVATE SECTOR INITIAL RESPONSE TO VIOLENT RIOTS FUELED BY RISING FOOD PRICES

REF: A. PORT AU PRINCE 575

[1](#)B. PORT AU PRINCE 583

[1](#)C. PORT AU PRINCE 577

[1](#)D. PORT AU PRINCE 344

PORT AU PR 00000700 001.2 OF 003

Summary

[11.](#) (SBU) Haiti's business community is slowly recovering from the shell-shock of the April rioting. The property damage they suffered was minor compared to the psychological blow. They see these disorders as a major setback in Haiti's stabilization. Some are asking whether Haiti can recover and ever become a normal country. Many blame the government for not acting sooner on food inflation, and believe President Preval intervened too late, and with subsidy policies that are unsustainable. A small minority believes that MINUSTAH and the government collaborated to protect government facilities but ignored attacks on private property. The Haitian Chamber of Commerce of Industry is demanding government compensation for damage to their property -- for which Preval has said there are no government funds to pay. However, the business community is beginning to recover. Representatives of the American Chamber of Commerce, the Haitian Chamber of Commerce and Industry, and other associations generally remain committed to resuming government-private sector dialogue and to helping the government fashion and implement a modernized market economic and anti-crime agenda. End Summary.

Private Sector Condemns Violence

[12.](#) (SBU) A majority of business community representatives Post has contacted after the early April food riots view the violence that rocked Haiti as a major setback to Haiti's stabilization efforts. The business community widely believes that demonstrators with criminal and political motives infiltrated legitimate protests against the rising cost of food prices in early April. The private sector knew that rising food and fuel prices were hurting Haiti, but business leaders were surprised at the suddenness and scale of the violence that accompanied the demonstrations. Most private sector associations published press releases condemning the violence, calling on the Government to arrest those who damaged property and pay compensation to businesses that suffered damage, and criticizing the "unhurried response" of the police. (Note: At least 227 businesses -- both formal and informal -- and 22 gas stations were reported

damaged in Port-au-Prince alone. End note.)

¶3. (SBU) Many private sector leaders believe political opponents of the government and criminals organized the violence. In a meeting with AmCham board members April 23, businessman Rene-Max Auguste (protect) told the Ambassador that criminal elements, including some with links to the private sector, oppose democratic stabilization and prefer to exploit Haiti's weak institutions to further their own interests. Auguste thought that these opportunists have greater influence than the "progressive private sector." Haitian Chamber of Commerce and Industry (CCIH) President Jean-Robert Argant (protect) told Econoff April 30 that some elements of the private sector fear they will not be as financially successful if economic reforms are instituted.

MINUSTAH Conspiracy Theory

¶4. (SBU) At the April 23 meeting with the Ambassador, AmCham board member Phillip Armand (protect) claimed MINUSTAH deliberately neglected to remove barricades, disperse violent protestors, and stop tire-burning, and concentrated on protecting the National Palace and President Preval. (Note: He appeared to imply MINUSTAH complicity in a Preval plan to use the rioters to intimidate private businesses. End note.)

Armand was the only person to express that extreme opinion, but other Board members agreed that although the Haitian National Police (HNP) lacked the capability to control the unrest, they had expected more forceful and effective intervention from MINUSTAH. In response, the Ambassador stressed that MINUSTAH was not a security or development force, but a stabilization force. She reaffirmed USG support for MINUSTAH and its efforts to support the HNP during the

PORT AU PR 00000700 002.2 OF 003

rioting. She noted that Preval has often stated he did not envision MINUSTAH departing prior to the end of his mandate in 2011, given the need to restore long-term stability.

Preval Reacts Too Late

¶5. (SBU) AmCham members told Ambassador a firm government response in the period immediately following the February 28 interpellation of Prime Minister Alexis (ref D), or immediately after the outbreak of violence in Les Cayes April 3, might have prevented unrest in Port-au-Prince. The period of mounting criticism of Alexis in late February would have been an ideal time for the GoH to go to the public with policy reforms to address food inflation. Most believed that Preval's April 10 and 12 public messages urging an end to violence and proposing agricultural reforms came too late (ref A).

Pessimism As To Whether Haiti Can Make It

¶6. (SBU) Newly elected AmCham President Gladys Coupet (protect) of Citibank said that the violent unrest had shaken her faith in the prospect that Haiti can move beyond the Aristide-era political instability. She said that even before the April events, poor GoH management had produced political reform and economic growth that were just too slow.

Board members believed that the psychological impact of the violence on the private sector, the Haitian population, and prospective investors would cause a major setback in Haiti's growth and stabilization. Coupet said that some business owners have begun thinking of "exit strategies" from Haiti in lieu of continuing to build up their businesses here. Now, she lamented, the private sector will have to "start from scratch" with the appointment of a new government.

¶7. (SBU) Many AmCham members conceded that the GoH lacks capacity and resources, but laid the crisis at the door of GoH mismanagement and corruption. Members said Preval is too

involved in directly managing the government -- doing his prime minister's job -- which is proving detrimental to government effectiveness. Government-private sector dialogue has all but stopped, but for a few close private sector "friends" of Preval who act as advisors. Rene-Max Auguste remained determinedly optimistic, declaring that he was "staying put" in Haiti, and that the private sector had no choice but to continue to engage the new government to develop and implement needed reforms. He got most AmCham board members to agree that the private sector must press for regular, "institutionalized" government-private sector consultations to develop a plan of action, and that this is the only way Haiti can move beyond the setback it suffered in early April.

Private Sector Response to Food Plan

¶8. (SBU) There is considerable private sector skepticism over the President's rice subsidy plan. In a meeting with the Ambassador, Center for Free Enterprise and Democracy member Bernard Craan recommended the GoH avoid a short-term policy focus on subsidizing food, and instead invest in sustainable short-term projects that create jobs, such as financing communal kitchens and irrigation projects. Supermarket chain and auto dealership owner Reginald Boulos warned the Ambassador April 29 that while rice subsidies would work for a short time, the re-opening of school next fall would be the next political crunch point for the government, since parents faced greatly increased school fees and other education costs. He recommended a public-private sector partnership to subsidize school fees, implement school breakfast programs, help poor families pay for school supplies, and organize a system of school buses. JMB S.A. mango factory owner Jean-Maurice Buteau was similarly skeptical toward the President's agricultural help plan, telling Econoff April 24 that fertilizer and seeds would not help Haiti in the short term as the spring planting season has already ended.

Division within the Private Sector

¶9. (SBU) UniBank Vice-Chairman Edouard Baussan explained to Ambassador April 19 that the private sector speaks with

POR AU PR 00000700 003.2 OF 003

different voices. He said that some business persons are genuine advocates for reform in Haiti and want to support the GoH's agenda, while others want to take advantage of the government's past corrupt management practices to further their own interests. Addressing the issue of private sector unity, Coupet recommended consolidating the numerous private sector associations for greater effectiveness.

A Tentative Way Forward

¶10. (SBU) Despite the immediate shell-shock among certain AmCham board members in the April 23 meeting, we detect broad but not universal agreement among business leaders that they have little choice but to soldier on and work with President Preval and the new government to implement needed reforms. Baussan told Ambassador that the forward-looking part of the private sector, and Haitians in general, do not want to "go back in time." The principal private sector recommendations to the GoH include continued democratic reform, reinforcement of the tax system and a crackdown on the drug trade. Most business persons we hear from say that not subsidies but job creation is the solution to poverty and the rising cost of living. AmCham in particular strongly supports the extension of the Haiti Hemispheric Opportunity through Partnership Encouragement Act (HOPE) and international debt relief.

¶11. Most business leaders are still willing to give Preval the benefit of the doubt, if only because they see no real alternatives on the horizon. French-Haitian Chamber of Commerce President Gregory Brandt said Preval is clear about

his intention to move the country forward, and is committed to staying on course with the GoH's agenda of promoting democratic reform and ridding the country of drug smuggling. Some leaders, especially new AmCham President Gladys Coupet, believe the business community should consolidate the numerous private sector associations to better concentrate their policies and message, and to engage the government more effectively. There is also general agreement with Baussan's point that the international community must maintain its commitment to Haiti and support for the GoH and Preval.

SANDERSON